The Making of the Chinese Industrial Workplace

State, Revolution, and Labor Management

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List of Acronyms

ACLC	All-China Labor Congress
BSA	Bureau of Social Affairs
CAL	Chinese Association of Labor
CBHRC	Chinese Business History Research Center
CCI	capital construction investment
CCP	Chinese Communist Party
CESI	China Economic Statistics Institute
EWC	Employee Welfare Committee
FFYP	First Five-Year Plan
FMC	Factory Management Conference
GLF	Great Leap Forward
GLU	General Labor Union
GMA	Guangzhou Municipal Archives
GMD	Guomindang (Nationalist Party)
GMU	Guangdong Mechanics Union
GPA	Guangdong Provincial Archives
GPIC	Guangdong Provincial Industrial Corporation
LCAC	Labor-Capital Arbitration Committee
LCCC	Labor-Capital Consultative Conference
MEA	Ministry of Economic Affairs
MPC	Municipal Party Committee
MSA	Ministry of Social Affairs
NGC	Naval Garrison Command
NRC	National Resources Commission
PLA	People's Liberation Army
PRC	People's Republic of China
RMB	*renminbi* (unit of currency)
SASS	Shanghai Academy of Social Sciences

SGC	Shenxin General Corporation
SMA	Shanghai Municipal Archives
SMPC	Shanghai Municipal Party Committee
SOE	state-owned enterprise

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Introduction

> *The Russian is a bad worker compared with workers of the advanced countries . . . The task that the Soviet government must set the people in all its scope is – learn to work.*[1]
>
> Vladimir Ilyich Lenin, 1918

What Lenin said of Russian workers highlights an important but understudied problem of many states that seek to jump-start industrialization through the rapid mobilization of capital and labor: building new factories also requires new norms and rules governing the employment relationship of the people who are to work in factories. These norms and rules can be imposed by fiat, but they are almost always subject to informal negotiation among state officials, managers, and workers. Such informal negotiations take place internally within the firm, especially when unions and other independent associations are repressed or lack the authority to represent workers' interests. In many cases of state-led industrialization, it is within public enterprises that workers come face-to-face with officials of the regime.

This book examines how officials, workers, and managers created institutions of labor management to cope with the transformation of China's industrial sector, from the early stages of industrial development to the imposition of a centrally planned economy in the 1950s. Labor management institutions can be defined as the formal and informal rules and structures that regulate how workers are hired, paid, organized, and supervised.[2] A central pursuit of this book is to identify the conditions

[1] Quoted in Reinhard Bendix, *Work and Authority in Industry: Ideologies of Management in the Course of Industrialization* (New York: John Wiley & Sons, Inc., 1956), 206.

[2] Labor policy, in contrast to the firm-level decisions of labor management, refers to the laws and administrative rulings on hiring, wages, benefits, and other employment issues

under which critical labor management institutions emerged; who contributed to their formation and reproduction; and how they changed over time.

Thus, while this is a book about China, it is also a book about institutional change in revolutionary contexts. Readers less interested in the specifics of labor, industry, or politics in China will find throughout different chapters a number of theoretical observations regarding the emergence and design of important sociopolitical institutions that mediate relations between state and society. Empirically, the effort is less on demonstrating how institutions shaped behavior than on identifying and explaining their emergence and evolution. In recent years many comparative political scientists and sociologists have sought to explore the past in order to identify the mechanisms by which different actors might reproduce an institution or use it for different purposes, well after the initial conditions that gave rise to the institution have receded.[3] Certainly in China's revolutionary environment during the 1950s, we might expect that labor management institutions emerged rather quickly amid rapid industrialization, mass mobilization, and the organizational transformation associated with the introduction of a command economy. However, such postrevolutionary changes should be placed in the context of processes under way *prior to* the change in regimes. As the factory-level evidence in this book will illuminate, the evolution of the Chinese industrial workplace, a microlevel outcome, unfolded against the backdrop of broad processes: industrialization, state building, labor mobilization, and within the firm, the process of bureaucratization, or the imposition of rules and procedures regarding hiring, work, and pay. These processes were all well under way prior to 1949, and they accelerated dramatically during the 1950s. Given China's political context in the 1950s, the

that governments attempt to regulate. Labor management is a subset of enterprise management, which includes the tasks of marketing, cost accounting, financial planning, etc. In a command economy, labor policy and labor management are integrated with industrial management, the broader set of incentives and constraints that state officials impose on enterprises to meet macroeconomic targets.

[3] A central concern of historical institutionalism is identifying the mechanisms by which institutions are reproduced by different actors over time, after the initial causes of the institution have receded. Paul Pierson, "Increasing Returns, Path Dependence, and the Study of Politics," *American Political Science Review* vol. 94, no. 2 (June 2000): 251–67; Kathleen Thelen, "Historical Institutionalism in Comparative Politics," *Annual Review of Political Science* 2 (1999): 369–404; Kathleen Thelen and Sven Steinmo, "Historical Institutionalism in Comparative Politics," in *Structuring Politics: Historical Institutionalism in Comparative Analysis*, Sven Steinmo, Kathleen Thelen, and Frank Longstreth, eds. (New York: Cambridge University Press, 1992), 1–32.

evidence presented also raises questions about institutional continuities amid revolutions.

Tocqueville was among the first to note that the institutions of revolutionary states frequently bear the marks of their predecessors in the old regime. He observed of the French Revolution and its strongly centralized postrevolutionary state that institutions whose formative periods begin prior to revolutions can become instruments of control for the new regime. In speaking of the actions of France's postrevolutionary leaders, Tocqueville said, "though nothing was further from their intentions, they used the debris of the old order for building up the new."[4] Theda Skocpol's account of social revolutions also discusses this issue of transrevolutionary continuities by showing how revolutionary crises and legacies of the old regime "shaped and limited the efforts and achievements of the state-building revolutionary leaderships."[5] The chapters that follow suggest that the politics of revolutionary regimes might also be fruitfully explored as a process of engagement between particular sectors of the state and groups within society. While Skocpol's explanatory framework for the policies of revolutionary states pays attention to broad structures such as industrial capacity, the international strategic environment, and domestic social alliances that regimes have forged prior to revolutions, this focus comes at some expense to the study of society itself, where certain institutions might be found that exhibit surprising durability. Exploring the arenas of state and society and their interaction reveals how revolutionary states operate within the societies that they seek to transform. Joel Migdal characterized this engagement between parts of the state with groups and individuals in society as a "mutually transforming" process that highlights some of the constraints on state power and pays attention to how states can be embedded in institutions, a process that Migdal terms "the state in society."[6]

Another explanation for postrevolutionary continuities lies in Douglass North's emphasis on the interaction of new, formal institutions imposed by revolutionary states and older, "informal institutions." While

[4] Alexis de Tocqueville, *The Old Regime and the French Revolution*, trans. Stuart Gilbert (Garden City, NY: Doubleday Anchor Books, 1955), vii.

[5] Theda Skocpol, *States and Social Revolutions: A Comparative Analysis of France, Russia, and China* (New York: Cambridge University Press, 1979), 172.

[6] Joel S. Migdal, "The State in Society: An Approach to Struggles for Domination," in *State Power and Social Forces: Domination and Transformation in the Third World*, Joel S. Migdal, Atul Kohli, and Vivienne Shue, eds. (New York: Cambridge University Press, 1994), 23.

revolutionary regimes attempt to impose new institutions on society, North notes that

> Perhaps most important of all, the formal rules change, but the informal constraints do not. In consequence, there develops an ongoing tension between informal constraints and the new formal rules, as many are inconsistent with each other. The informal constraints had gradually evolved as extensions of previous formal rules. . . . Although a wholesale change in the formal rules may take place, at the same time there will be many informal constraints that have great survival tenacity because they still resolve basic exchange problems among the participants, be they social, political, or economic. The result over time tends to be a restructuring of the overall constraints – in both directions – to produce a new equilibrium that is far less revolutionary.[7]

For some students of Chinese politics and society in the 1950s, this observation may appear to confirm the obvious. Recent scholarship has shown how social institutions limited revolutionary change in certain cases, and how Communist policies and laws led to unintended consequences.[8] North's suggestion that social actors restructure new post-revolutionary institutions to produce something that is "far less revolutionary" seems quite plausible, but it could also be the case that the resulting equilibrium represents a significant and dramatic rupture with past practices and power relations. For example, in China the collectivization of industry and agriculture in the 1950s brought with them a set of seemingly new institutional arrangements through which the average citizen interacted with the state. Among these was the "work unit" or *danwei*, to which virtually all urban residents belonged by the 1950s.

Within China's industrial sector, employment in state enterprises by the early 1960s had the following general characteristics:

[7] Douglass C. North, *Institutions, Institutional Change and Economic Performance* (New York: Cambridge University Press, 1990), 91.

[8] This is a theme throughout Friedman, Pickowicz, and Selden's detailed study of village politics and society in a North China county from the 1930s to the 1960s. Edward Friedman, Paul G. Pickowicz, and Mark Selden, with Kay Ann Johnson, *Chinese Village, Socialist State* (New Haven, CT: Yale University Press, 1991). For an analysis of the unintended consequences of the PRC's 1950 Marriage Law, see Neil J. Diamant, *Revolutionizing the Family: Politics, Love, and Divorce in Urban and Rural China, 1949–1968* (Berkeley, CA: University of California Press, 2000).

- Employees and managers viewed the workplace as a source of cradle-to-grave welfare benefits, including but not limited to housing, food, health care, pensions, insurance, child care, primary education, cultural activities, and more.
- Membership in this enterprise community was considered more or less permanent, and access to it was tightly restricted. Labor mobility even within the state sector was rare.
- New employees were assigned to state enterprises through comprehensive state labor allocation plans, and new workers generally underwent an apprenticeship before attaining the complete benefits of state employment.
- In theory, wage determination was based on a national wage scale that offered higher pay as a worker acquired greater technical skills. However, by the early 1960s this had evolved into a de facto seniority wage system, in which differences in pay reflected the sequence of entry into the state labor force.
- As physically walled compounds, work units were literally compartmentalized from the outside world, though the state had a number of "ports of entry" to them. Enterprises were the primary units of political communication and participation, with frequent meetings and political movements or "campaigns" that attempted to mobilize the workforce to raise production or to attack political targets.
- At the individual level, enterprises exerted political controls through a "dossier" system in which personnel departments maintained individual employee files that recorded extensive personal data – including political transgressions.
- The enterprise branch committee of the Communist Party exercised authority over labor issues, personnel appointments, and at times even day-to-day administrative matters. Party committees could also dictate to managers and factory directors how they should resolve broader questions such as the use of incentive bonuses and overtime pay.
- Labor supervisors served as critical intermediaries between enterprise directors and workers by using their dual powers as administrative and political authorities at the basic level. Expressions of personal and political loyalty by workers to their supervisors could strongly influence decisions on which workers would be approved for promotions or wage increases.

Many of these characteristics of the Chinese work unit are readily observed outside of China. For example, it is not difficult to find firms and industries in which private and public employers distribute extensive nonwage benefits to employees – by custom, by law, or by the preferences of particular company owners.[9] State control over the

[9] Stuart D. Brandes, *American Welfare Capitalism, 1880–1940* (Chicago: University of Chicago Press, 1976); Andrew Gordon, *The Evolution of Labor Relations in Japan: Heavy Industry, 1853–1955* (Cambridge, MA: Harvard University Press, 1985).

allocation of labor and wages are defining features of the "command economy" of state socialism. Likewise, seniority wages are found throughout developing and advanced industrial economies, be they socialist or market in name.[10] The use of political commissars or party committees to supervise the actions of employees and employers was prevalent throughout the former Soviet Union and Eastern Europe.[11] "Foreman's empires" are common to many economies in the early stages of industrialization, and they have persisted to different degrees in some industries.[12] The question is not why Chinese state enterprises developed features found elsewhere, but when, and why each of these elements emerged in China, how they changed over time, and how these labor management institutions reflected power relations between workers and the state.

EXPLAINING FACTORY INSTITUTIONS IN CHINA

Some discussions of the emergence of the *danwei* in China rely on a functionalist logic in which it is argued that the CCP imposed the work unit structure on factories and other basic units after 1949 in order to exert its domination of Chinese society. As Tianjin Shi remarks, "To ensure its control, the government developed a unique political structure – the work unit (*danwei*) – to help the authorities control the general populace in Chinese society."[13] Martin Whyte and William Parish's classic study of urban China interpreted the *danwei*, together with the CCP's highly intrusive pattern of urban household organization, as a result of the Communist regime's undertaking to rid Chinese cities of various social maladies in the 1950s. For a rural-based revolutionary movement

[10] Michael Burawoy, *The Politics of Production: Factory Regimes Under Capitalism and Socialism* (London: Verso Press, 1985); Charles F. Sabel, *Work and Politics: The Division of Labor in Industry* (New York: Cambridge University Press, 1982).

[11] Joseph S. Berliner, *Factory and Manager in the USSR* (Cambridge, MA: Harvard University Press, 1957).

[12] Bendix, *Work and Authority in Industry*, 53–8; Daniel Nelson, *Managers and Workers: Origins of the Twentieth-Century Factory System in the United States, 1880–1920*, 2nd ed. (Madison, WI: University of Wisconsin Press, 1995), 35–55; Sanford M. Jacoby, *Employing Bureaucracy: Managers, Unions, and the Transformation of Work in American Industry, 1900–1945* (New York: Columbia University Press, 1985); Nelson Lichtenstein, "The Man in the Middle: A Social History of Automobile Industry Foremen," in *On the Line: Essays in the History of Auto Work*, Nelson Lichtenstein and Stephen Meyer, eds. (Urbana, IL: University of Illinois Press, 1989), 153–89.

[13] Tianjin Shi, *Political Participation in Beijing* (Cambridge, MA: Harvard University Press, 1997), 13.

to transform the highly suspect manners and mores of city residents and workers, "everyone was to be organized from the ground up."[14]

By far the most influential work on shop floor politics in China, however, is Andrew Walder's *Communist Neo-Traditionalism*.[15] Walder argued that factories under Leninist regimes generated distinct forms of political control and worker dependency. In China, workers were both highly dependent on their enterprises for basic necessities and deeply divided between political activists and those more passively oriented who pursued material rewards through personalized ties with supervisors. In state enterprises during the Maoist era, employees could obtain basic living needs primarily and sometimes exclusively from their enterprise, by negotiating a dense set of political networks that included one's labor supervisor as a key node of exchange. In addition, because of the tight restrictions on job switching, state workers in China did not have an "exit" option in which they could readily seek employment elsewhere.[16]

Among the objections raised by Walder's critics was his claim that the pattern of labor relations that emerged during the 1950s in China's factories represented an abrupt break with the past.[17] As Walder argued, "Even if China's prerevolution labor traditions were unique, it would be difficult to find historical continuities in the face of the sweeping and systematic changes of the 1950s."[18] After enumerating the rapid changes during the 1950s in ownership and employment from small-scale, handicraft production to large-scale, modern factory production, Walder concluded that "the new Chinese regime literally created, almost from scratch, a new tradition of labor relations."[19] Unintended consequences did arise from this process of transformation, especially patron-client ties between supervisors and workers that undermined the regime's ideological goals. Furthermore, as Walder noted, the general pattern of shop floor relations remained relatively durable despite several changes in industrial and labor policy in subsequent years.[20] Other critics of Walder

[14] Martin King Whyte and William L. Parish, *Urban Life in Contemporary China* (Chicago: University of Chicago Press, 1984), 22.

[15] Andrew G. Walder, *Communist Neo-Traditionalism: Work and Authority in Chinese Industry* (Berkeley, CA: University of California Press, 1986).

[16] Ibid., 11–17.

[17] Deborah Davis, "Patrons and Clients in Chinese Industry," *Modern China* vol. 14, no. 4 (1988): 495–7; Elizabeth J. Perry, "State and Society in Contemporary China," *World Politics* vol. 41, no. 4 (1989): 579–91.

[18] Walder, *Communist Neo-Traditionalism*, 32.

[19] Ibid., 34. [20] Ibid., 9.

questioned the validity of his argument that state industrial workers in China were enmeshed in dependent, patron-client relationships, and the extent to which this relationship characterized state-society relations in China more generally.[21] My purpose is not to challenge the characteristics of the factory regime that Walder vividly portrayed and analyzed, but to ask the question of where many of its institutional features came from.

If it is true that institutional formation takes place over a number of years or even several decades, then it is worth exploring the sequence in which various labor management institutions found in the work unit came together. In what ways did Nationalist Party rule (1927–49) contribute to the formation of the industrial work unit in the People's Republic of China (PRC)? How much did workers in state enterprises influence the process of institutional formation? Did the sequence in which certain labor management institutions formed create constraints on future choices of the Communist regime? To what extent did political and economic crises of the mid-twentieth century drive the process of institutional formation and change within the industrial workplace? It might be the case that the transformations of the 1950s displaced existing labor management institutions, as Walder's analysis suggests. Thanks in large part to the opening of many new documents in the archives in China containing reports by various party and government agencies, we can better assess these questions in ways that previous scholarly efforts could not.

Other discussions, dealing with industrial reform in China, generally treat labor management institutions of state industrial enterprises as a by-product or structural necessity of the "command economy" of comprehensive national plans in which state enterprises served as the key link in China's strategy of rapid industrialization. The "socialist transformation of industry" that ended in 1957 extinguished the private sector and consolidated state control over China's small but important industrial base. Under the command economy, state enterprises generated capital by receiving low-priced raw materials and other inputs and selling their output to state marketing agencies for a profit, which was then submitted to state planners for investment in other industrial facilities and

[21] Brantly Womack, "Transfigured Community: Neo-Traditionalism and Work Unit Socialism in China," *China Quarterly* 126 (1991): 313–32; Marc Blecher, "Communist Neo-Traditionalism: Work and Authority in Chinese Industry," *Pacific Affairs* vol. 60, no. 4 (1987–88): 657–9.

projects. This industrialization strategy entailed strict controls over the rate of growth of the state workforce, which numbered about 24.5 million in 1957.[22] Viewed from this perspective, the rapid mobilization of investment capital, state controls on factor inputs and prices, and an emphasis on heavy industry necessitated particular enterprise-level institutions to hire, train, organize, compensate, and mobilize China's workforce. In short, labor management institutions emerged from macroeconomic policy.[23]

The formation of firm-level labor institutions that would later be known collectively as the work unit pattern of employment is surely associated with the commands and controls of the centrally planned economy. However, this rather straightforward explanation for institutional outcomes in China's factories must account for the fact that certain labor management institutions closely resembling those of the socialist work unit predated the arrival of the command economy. Several scholars have identified practices and ideas within various social settings in the 1930s and 1940s that bear close resemblance to the organizational patterns and ethos of the socialist-era work unit.[24] Workers received broad benefits from their enterprises before 1949, and managers in pre-1949 China sought to create self-enclosed communities that would facilitate their control of the workforce.[25] As striking as these observations might seem, any presumed continuities between pre- and postrevolutionary workforce organization remain largely implied, and less carefully explained.

One potential explanation for any observed continuities might make reference to the importance of culture and the shared understandings that inform relations between employers and employees in an industrial

[22] State Statistical Bureau, *Zhongguo tongji nianjian, 1998* (China Statistical Yearbook, 1998) (Beijing: Zhongguo tongji chubanshe, 1998), 130.

[23] Justin Yifu Lin, Fang Cai, Zhou Li, *The China Miracle: Development Strategy and Economic Reform* (Hong Kong: Chinese University Press, 1996), 19–58; Barry Naughton, "*Danwei*: The Economic Foundations of a Unique Institution," in *Danwei: The Changing Chinese Workplace in Historical and Comparative Perspective*, Xiaobo Lü and Elizabeth J. Perry, eds. (Armonk, NY: M.E. Sharpe, 1997), 169–94.

[24] Xiaobo Lü, "Minor Public Economy: The Revolutionary Origins of the *Danwei*," in *Danwei*, Xiaobo Lü and Elizabeth J. Perry, eds., 21–41; Elizabeth J. Perry, "From Native Place to Workplace: Labor Origins and Outcomes of China's *Danwei* System," in *Danwei*, Lü and Perry, eds., 42–59; Wen-hsin Yeh, "The Republican Origins of the *Danwei*: The Case of Shanghai's Bank of China," in *Danwei*, Lü and Perry, eds., 60–88.

[25] Wen-hsin Yeh, "Corporate Space, Communal Time: Everyday Life in Shanghai's Bank of China," *American Historical Review* 99 (February 1995): 97–122.

setting. Labor management, as a general category, is bound up in the complexities of China's relationship to the outside world and the dialectic of Chinese "backwardness" and Western modernity.[26] The concept is used in Chinese sources (*laodong guanli*), but it was borrowed from Western personnel management theories that flourished in the first decades of the twentieth century. Western and Japanese systems of labor management have been subjects of much discussion and emulation in China since the introduction of market reforms in industry in the early 1980s. Indeed, Chinese factory directors and state officials have historically scrutinized foreign methods of organizing industrial labor. In the 1920s, capitalist factory owners tried to introduce the methods of scientific management associated with Frederick Taylor. In the 1950s, CCP officials enthusiastically copied the organization of industrial work in the Soviet Union. In discussions of this issue during any decade, one is hard pressed to find in Chinese sources any mention of a "Chinese employment system" or a "Chinese management system." Given the criticism that officials and others in China have heaped upon Chinese factory managers for their handling of labor issues, it would appear that such authors might regard the very notion of a "Chinese management system" as an oxymoron. Yet foreign observers, more often than not viewing China through the lenses of modernity and tradition – or at least with an eye for how distinct Chinese society and culture is from their own – have usually argued that Chinese factories do have readily identifiable forms and values by which workers are hired, paid, organized, and supervised. The institutional elements that made up labor management in China have changed over time. Visitors to Chinese factories in the 1920s and 1930s generally deplored their employment practices, in which dictatorial shop floor bosses, unsafe working conditions, and brutal exploitation of rural migrants were the norm.[27] During the 1960s and 1970s, the handful of foreign observers and industrial specialists who visited

[26] In the PRC, official scholarship has treated labor and factory management in pre-1949 Chinese businesses as the outgrowth of imperialism and capitalism. Since the 1980s, however, PRC scholars have suggested the importance of Chinese cultural influences on how business and commerce evolved in China. See Tim Wright, " 'The Spiritual Heritage of Chinese Capitalism': Recent Trends in the Historiography of Chinese Enterprise Management," *The Australian Journal of Chinese Affairs* 19/20 (1988): 185–214.

[27] Various international groups sponsored investigations of factories in China during the 1920s and 1930s, especially in Shanghai. For a summary of how the International Labour Organization and others viewed labor issues and called for reform, see Robin Porter, *Industrial Reform in Modern China* (Armonk, NY: M.E. Sharpe, 1994).

Chinese factories had a very different impression that was generally positive (as their official hosts made sure), but like their predecessors in pre-socialist China, these authors were struck by the vivid contrasts between Chinese factories and industrial labor management in their own societies.[28] These observers and others who have followed during the 1980s and 1990s have argued that the characteristics of employment in Chinese factories are not easily grouped with those patterns found in the West, Japan, or the former Soviet bloc.[29]

Given the salience of foreign influences on China's industrial development, specifically from Western and Soviet methods of industrial management, it is important to capture how individuals within the Chinese factory modified the institutional blueprints from these sources with their own norms and practices. In an otherwise largely structural analysis of authority relations in Chinese factories, Walder suggested that the degree to which the CCP surpassed its Soviet counterpart in pursuing the moral cultivation of the workforce through normative appeals and mass mobilization could have derived from Chinese traditions of statecraft and authority.[30] This point raises a critical question about the cultural embeddedness of institutions.

A few observations are in order at this point regarding the treatment of culture as a category of explanation in this book. First, if institutions include unwritten "conventions and codes of behavior" as well as formal rules that guide behavior, then such unwritten rules, or what North calls "informal institutions" cannot be neatly differentiated from what someone else might call a cultural norm.[31] In fact, one might hypothesize that informal institutions influence the operation of formal institutions and the probability that the people holding such "conventions and codes" will accept formal institutions. Chinese enterprise managers borrowed heavily at different times from Western and Soviet models of labor management, and such models underwent substantial modification

[28] Charles Hoffman, *The Chinese Worker* (Albany, NY: State University of New York Press, 1974); Barry M. Richman, *Industrial Society in Communist China* (New York: Random House, 1969).

[29] John Child, *Management in China During the Age of Reform* (New York: Cambridge University Press, 1994); Gail E. Henderson and Myron S. Cohen, *The Chinese Hospital: A Socialist Work Unit* (New Haven, CT: Yale University Press, 1984); Fox Butterfield, *China, Alive in the Bitter Sea* (New York: Times Books, 1982); Richman, *Industrial Society*.

[30] Walder, *Communist Neo-Traditionalism*, 121–2.

[31] North, *Institutions, Institutional Change*, 4.

in the context of the Chinese factory. This suggests at least some role for informal codes and practices, provided that they can be isolated and analyzed independent of other potential causes such as prices, technology, etc. Second, beliefs and practices vary widely across time and territory, especially in the case of China. To take one example from this book, the provision of broad nonwage benefits to employees appears to be an enduring practice under several different regimes and political economies. One possible source is the elite expression of paternalism, deriving from the Confucian ideal of benevolence toward subordinates.[32] However, welfare provision to employees cannot be uniformly charted across the history of Chinese industry, nor across different industrial sectors. The practice is obviously more deeply rooted and its manifestations more extensive in the state sector than the nonstate sector. To understand this variation in the strength of institutions requires a historical perspective to discern precisely when practices and norms were established, where they were distributed, and why they seemed to persist. Third, the people involved in the process of institutional creation adopt cultural symbols and referents to make their cases: "Treat the factory as a family," we will hear a naval officer and shipyard director say in Chapter 3, when he is laying out his rationale for the establishment of comprehensive enterprise-based welfare provision in 1947. "It's a face-losing situation to pay one person more money and another person less money," a shipyard official told me in an interview in 1995 when he was explaining the current difficulties in implementing new wage guidelines among employees. These remarks are not presented here to show that people use culture to cloak their genuine motives, though some may read them that way. These statements also illustrate how individuals might present and interpret institutions. People who were involved in the creation of workplace institutions in China held preferences and expressed them through cultural referents (family, face). If institutions shape preferences and define interests, then it is important to ask the question of

[32] Research on the business organization and management of enterprises in Taiwan, Hong Kong, and among overseas Chinese communities suggests that firm managers and owners share paternalistic and other consistent beliefs and preferences that influence firm management and operations. S. Gordon Redding, *The Spirit of Chinese Capitalism* (New York: Walter de Gruyter, 1990); Richard Whitley, *Business Systems in East Asia: Firms, Markets and Societies* (London: Sage Publications, 1992); Gary G. Hamilton and Nicole Woolsey Biggart, "Market, Culture, and Authority: A Comparative Analysis of Management and Organization in the Far East," *American Journal of Sociology* 94 (1988): S52–S94; Siu-Lun Wong, *Emigrant Entrepreneurs: Shanghai Industrialists in Hong Kong* (New York: Oxford University Press, 1988).

how existing preferences interact with newer, formal institutions, particularly institutions imposed by state officials in a revolutionary context.

The importance of political variables in explaining labor management institutions in China or any other country may seem obvious, until one considers that economic or cultural explanations carry a great deal of importance in the literature on labor management. The substantial body of work on Japan's industrial employment institutions, for example, can be grouped around those who view lifetime employment and seniority wages as primarily cultural manifestations and those who see the same phenomena as the result of skilled labor shortages and other economic variables.[33] Andrew Gordon's alternative, firm-level perspective on Japanese labor management institutions shows that state officials, managers, workers, and their unions negotiated the terms of industrial employment over a period of several decades before and during the Second World War.[34] Postwar labor institutions remained in place to influence labor organization during the U.S. Occupation period and beyond. Linda Weiss furthers Gordon's argument with her state-centered, geopolitical explanation for the Japanese employment system.[35] The comparative historical analysis of employment patterns suggests that conflicts over labor management unfold at varying rates, bringing divergent outcomes depending upon various political coalitions within and external to the factory.[36]

POLITICAL REGIMES AND WORKPLACE REGIMES IN CHINA

The emergence and evolution of labor management institutions in China are inseparable from the process of state building. As in other late

[33] James Abegglen, *The Japanese Factory: Aspects of its Social Organization* (Glencoe, IL: The Free Press, 1958); Robert E. Cole, *Japanese Blue Collar: The Changing Tradition* (Berkeley, CA: University of California Press, 1971); Ronald Dore, *British Factory – Japanese Factory* (Berkeley, CA: University of California Press, 1973); Koji Taira, *Economic Development and the Labor Market in Japan* (New York: Columbia University Press, 1970).

[34] Gordon, *The Evolution of Labor Relations in Japan*; Andrew Gordon, "Conditions for the Disappearance of the Japanese Working-Class Movement," in *Putting Class In its Place: Worker Identities in East Asia*, Elizabeth J. Perry, ed. (Berkeley, CA: Institute of East Asian Studies, 1996), 11–52.

[35] Linda Weiss, "War, the State, and the Origins of the Japanese Employment System," *Politics & Society* vol. 21, no. 3 (September 1993): 325–54.

[36] Sanford M. Jacoby, ed., *Masters to Managers: Historical and Comparative Perspectives on American Employers* (New York: Columbia University Press, 1991).

developers, state officials sought to mobilize investment capital for industrialization and to create a base of industrial workers. In pursuing the latter goal, state officials designed labor policies and firm-level labor management institutions. Such institutions reflected competing aims of state officials to mobilize workers for political as well as production purposes. In China, the processes of state building and industrialization were disrupted and transformed beginning in the late 1930s by the crises of foreign invasion, hyperinflation, civil war, regime collapse, and revolution. Both the Nationalist and Communist regimes, despite their obvious contrasts in ideology and organizational effectiveness, took measures often in crisis environments to administer the industrial sector and its workforce. Both attempted to make inroads into the Chinese labor force by controlling union organizations and their leaders, and by placing constraints on enterprise managers and owners. Imposed from above, state solutions to the problems of workforce organization and mobilization did not always take shape in their intended form and function. The preferences of workers and managers substantially altered such institutional designs of the state. In short, the labor management institutions of political regimes did not translate neatly into workplace regimes within the factory.

Chapters 2 and 3 analyze the emergence of factory-level labor management institutions during the Nationalist (*Guomindang* [GMD]) regime. Most accounts, scholarly and otherwise, have characterized the GMD as a factionalized, corruption-ridden party-state that essentially collapsed under the pressures of economic crisis and Communist insurgency during the late 1940s.[37] The debate over the failings of the GMD and its relative autonomy from social forces is an old one, but there is little question that in the industrial sector at least, the GMD developed an impressive set of state plans and mechanisms to coordinate enterprises through state ownership. The most important such government institution was the National Resources Commission (NRC), which operated over one hundred heavily capitalized enterprises employing 172,000 people by the mid-1940s and continued to be important in the

[37] Lloyd Eastman, *The Abortive Revolution: China Under Nationalist Rule, 1927–1937* (Cambridge, MA: Harvard University Press, 1974); Hung-mao Tien, *Government and Politics in Kuomintang China, 1927–1937* (Stanford: Stanford University Press, 1972). For a recent treatment that puts the Nationalist regime in a compelling theoretical framework emphasizing institution building under serious internal and external challenges, see Julia Strauss, *Strong Institutions in Weak Polities: State Building in Republican China, 1927–1940* (New York: Oxford University Press, 1998).

development of Taiwan's economy after 1949.[38] During the War of Resistance Against Japan (1937–45), officials at arsenals and heavy industrial plants provided wide-ranging welfare services to employees in order to cope with labor turnover and soaring inflation.[39] This enterprise welfare system was a response to wartime emergencies as much as the result of a coherent Nationalist labor policy. Following the Japanese surrender in 1945, the Nationalist government undermined whatever social welfare policy it envisioned with a disastrous economic policy that dramatically intensified hyperinflation. It was its failure to contain prices that condemned the government in the eyes of many urban residents and workers.[40]

Even before the crises of foreign invasion, civil war, and hyperinflation, managers at some enterprises in the 1920s and 1930s attempted to take control of the labor process through the rationalization of enterprise administration. Taylorist principles of scientific management gave rise to much discussion among Chinese managers during the 1920s and 1930s. Concurrent with this impulse to bring scientific management to the labor and production process was a preference for "enterprise communities" in which communal and paternalistic norms were injected into personnel departments and employee training protocols. This dialectic of rationalization and personalization of the employment relationship continued into the 1950s as the CCP attempted to introduce Soviet labor management practices (which were heavily informed by Lenin's open admiration for Taylor and scientific management). In this and other respects, the effort to rationalize factory labor management in the 1930s looked and sounded much like similar efforts that the Communist regime would undertake two decades later. As Wen-hsin Yeh concludes from her analysis of the corporate community of white collar employees and managers at the Bank of China in Shanghai in the 1930s and 1940s, "many of the features that characterized the socialist *danwei* were prefigured in a pre-Communist urban setting." Among such features were collective living arrangements and an enterprise culture that emphasized the

[38] William C. Kirby, "Continuity and Change in Modern China: Economic Planning on the Mainland and on Taiwan, 1943–1958," *The Australian Journal of Chinese Affairs* 24 (July 1990): 128.

[39] Morris Linan Bian, "Development of Institutions of Social Service and Industrial Welfare in State Enterprises in China, 1937–1945" (Paper presented at the annual meeting of the Association for Asian Studies, 1998).

[40] Suzanne Pepper, *Civil War in China: The Political Struggle, 1945–1949* (Berkeley, CA: University of California Press, 1978), 129–31.

personal and moral cultivation of employees.[41] Yeh also notes the important shift from a largely patriarchal and hierarchical pattern of authority to a community bound together by wartime patriotism – a point that suggests some relationship between external crises and changes in enterprise labor management institutions.

Of course, the CCP over the 1950s and 1960s attempted in far more explicit ways to transform the organization of work, through material and ideological means. Creating new factories meant creating a new class of industrial workers, whose ranks would expand from roughly 3 million in 1949 to 7.5 million by 1957, and much more rapidly thereafter.[42] This vast undertaking began in large and medium enterprises immediately after the CCP's takeover of China's industrial centers in 1949. While the Soviet Union and its factory organization heavily influenced how the CCP would pursue industrialization in China, certain party leaders also drew upon their personal experiences in the pre-1949 labor movement in cities such as Shanghai. Early PRC labor policy, including enterprise-based medical care, disability insurance, and retirement pensions, Elizabeth Perry has argued, sprang from legislation authored in the early 1950s by high-ranking CCP cadres who had many years of experience in union organizing and leadership. Some of these figures also had direct knowledge of work in an earlier era of urban craft guilds that distributed exclusive benefits and jobs to their members. Foremost among this group was Li Lisan, whose government portfolio in the early 1950s included labor policy, and Chen Yun, a former skilled worker in Shanghai whose contribution to industrial policy and state planning would span several decades.[43] As Perry observes, "It was these individuals who formulated policies that turned state enterprises into institutions remarkably reminiscent of the artisan's native-place guild."[44]

Yet CCP leaders in the late 1940s and early 1950s also pursued the formation of a modern socialist enterprise, and with it a vision of the factory and work organization that represented a conscious break from the "feudal" past and its traditions. Here the exemplar was the Soviet Union and its impressively modern industrial sector. Copying Soviet labor management institutions extended to the translation of hundreds of books and articles on Soviet methods of workforce organization and

[41] Wen-hsin Yeh, "Republican Origins," 63–73.

[42] State Statistical Bureau, *Zhongguo laodong gongzi tongji ziliao, 1949–1985* (China Labor and Wage Statistical Materials, 1949–1985) (Beijing: Zhongguo tongji chubanshe, 1987), 83.

[43] Perry, "From Native Place to Workplace," 44–7.

[44] Ibid., 44.

mobilization. As Deborah Kaple has shown, the CCP translated (literally and figuratively), ideas from Soviet texts that were written during a radical phase of party-led mobilization and production campaigns between 1946 and 1950.[45] "High Stalinism," a departure from earlier Soviet management practices, called for the dominance of party committees over administrators within enterprises; party-led mobilization of industrial workers through socialist competitions and other mass campaigns; party-led efforts to propagandize and educate the industrial workforce; and the use of military terminology, martial rhetoric, and patriotism to achieve economic goals.[46] High Stalinism emerged from efforts to bring about a rapid postwar recovery to the Soviet economy and to preserve a place for party committees at local and enterprise levels. It also clearly bore the stamp of Stalin at the height of his personal supremacy and power over the Soviet system.

As is evident from Kaple's observations, China adopted more than a single "Soviet model." There was the model of High Stalinism, with its crash production drives and close supervision by party committees. There was also the Soviet model from earlier Five-Year Plans of the 1930s, encapsulated in one-man management, which concentrated authority at each level of administration within a single figure who was to be responsible for that unit's fulfillment of the production plan. One-man management in effect imposed a strict hierarchical and bureaucratic order over enterprises that was antithetical to the mobilizational impulses of High Stalinism. (Soviet theorists in the late 1940s got around this problem by designating a role for the party committee to guarantee implementation of central government directives.[47]) To carry out one-man management, Chinese enterprises during the early 1950s enacted the production-territorial system, a hierarchical or line reporting arrangement in which orders flowed from the factory director's office downward to workshops (*chejian*), intermediate work sections (*gongduan*), and to basic-level production teams (*shengchan xiaozu*). At each level, a director or section chief had sole authority to enforce orders issued from the higher level. As Chapters 5 and 6 demonstrate, one-man management proved to be a short-lived affair in Chinese factories, though the production-territorial structure remained in place. When translated into the institutional context of Chinese workplaces, both one-man management and High Stalinist principles underwent considerable

[45] Deborah A. Kaple, *Dream of A Red Factory: The Legacy of High Stalinism in China* (New York: Oxford University Press, 1994), 11–18.
[46] Ibid., 7–9. [47] Ibid., 45.

modification.[48] The command economy imposed a set of labor management institutions on factory floors in China that contradicted many of the preexisting formal and informal rules of labor management. As managers and workers adapted to the new rules, they also altered them in discernible ways.

In 1957 the CCP undertook to transform industrial management through a decentralization of administrative powers that would culminate in the Great Leap Forward (GLF). Many thousands of state enterprises, which had previously submitted all profits to the central government and had bargained for investment and labor resources from the center, suddenly in late 1957 were transferred to provincial and municipal governments. (While the central government formally retained rights to most enterprise profits, fiscal relations were adjusted so that local governments could tap a portion of enterprise profits.) Within enterprises, party committee dominance quickly followed the decentralization of enterprise control in 1957. In effect, the ideas that the CCP had drawn from High Stalinism – party committee dominance of administrative matters, mass mobilization of the workforce through recruitment of activists, and others – were far more influential and more completely implemented within Chinese factories after 1957 than before. Chapter 7 discusses these and other changes in the late 1950s and early 1960s.

THE EMPIRICAL APPROACH

The chapters that follow present as much as possible of the existing and available historical records of selected factories in China. The intent is to enliven the analysis of labor management institutions within enterprises by documenting how real people devised, fought over, and compromised on various rules about hiring, pay, and the assignment of benefits. The use of a microlevel approach to illuminate various battles over labor management institutions raises the question of representativeness and the ability to generalize whatever findings emerge from the factory cases. After all, I am examining a period in which Chinese industry expanded significantly, with many thousands of new enterprises coming on line, particularly as state investment poured into the industrial sector in the 1950s. Enterprises with relatively long histories dating from the 1920s or 1930s constitute a special group. If these enterprises

[48] For a recent discussion of the downfall of one-man management in China, see You, *China's Enterprise Reform*, 35–7.

were unimportant in the story of China's economic development and in the eyes of state officials, a research focus on such factories might present a problem. However, in certain cities, especially the coastal cities of China, older enterprises were very significant in both economic and political terms. During the First Five-Year Plan (FFYP), while over 40 percent of state industrial investment went toward the establishment and expansion of about 200 new industrial facilities that used Soviet technical advice and machinery imports, only about 30 percent or less of China's industrial output came from these new or reconstructed plants.[49] In other words, older factories and mines, many of them "inherited" from the Nationalist regime, produced an estimated two-thirds of the current output during the 1953–7 period – when the value of industrial output rose from 10.7 billion yuan in 1952 to 34.3 billion yuan in 1957.[50] Rawski noted that the investment bias toward newer enterprises forced managers in older factories to make do with existing capital equipment and technology, which brought rapid gains in productivity.[51] Older enterprises and their workers were also important politically as the carriers of institutions that existed before the command economy. The process of institutional innovation and change was contentious within these older enterprises.

My attention here is less with the notion of segmentation of Chinese industrial workers into various categories of full-time employment in the core state sector versus collective and handicraft production units. The idea of "segmentation," or the stratification of industrial workers into privileged cores and underprivileged peripheries, has been a dominant theme of the labor relations literature. Scholars have attributed multiple causes to this differentiation of workers and working conditions across sectors or within particular industries, including the deleterious effects of market development, asymmetries in the distribution of technology, and long-term patterns of conflict between workers and owners.[52] It is

[49] Thomas G. Rawski, *China's Transition to Industrialism: Producer Goods and Economic Development in the Twentieth Century* (Ann Arbor, MI: University of Michigan Press, 1980), 29.

[50] Ibid., 34–5. [51] Ibid., 78–9.

[52] For the United States, see David M. Gordon, Richard Edwards, and Michael Reich, *Segmented Work, Divided Workers: The Historical Transformation of Labor in the United States* (New York: Cambridge University Press, 1982); Richard Edwards, *Contested Terrain: The Transformation of the Workplace in America* (New York: Basic Books, 1979); Michael Burawoy, *Manufacturing Consent: Changes in the Labor Process under Monopoly Capitalism* (Chicago: University of Chicago Press, 1979). For Western Europe, see Sabel, *Work and Politics*; Suzanne Berger and Michael J. Piore, *Dualism and Discontinuity in Industrial Societies* (New York: Cambridge University Press, 1980).

well established that workers outside the state sector did not enjoy the same level of housing provision, health care, and other benefits associated with work-unit employment in the formal state sector. Because my theoretical concern is with the evolution of institutional forms of industrial labor management, and because China's industrial sector was absorbed into state administration during the period under consideration, a focus on enterprises that eventually became part of the core state sector is warranted.

Before the FFYP, and even more so in the 1930s and 1940s, industry in China was limited to a handful of cities and regions: Shanghai, the center of intensive foreign and private industrial investment; Manchuria (including the cities of Shenyang, Dalian, and Harbin), the center of heavy industry and Japanese military control during the 1930s and the war; Chongqing, the wartime capital, which along with the surrounding province of Sichuan and others saw rapid industrial growth under Nationalist government coordination; and finally, a group of cities such as Tianjin, Guangzhou, Wuhan, and possibly Beijing, where large-scale industrial units were the exception rather than the rule (unless they were foreign owned) and small-scale production units predominated. The task of tracing institutional processes within factories might reveal considerable variation among these centers of industry, particularly given foreign ownership. To simplify the analysis and still offer the microlevel detail of particular factory cases, I have chosen a strategy of a paired comparison between two industries in two of these industrial centers: the textile and shipbuilding industries in the urban centers of Guangzhou and Shanghai.

While both of these sectors date from China's early industrialization, clear differences in technology and production would lead us to predict that their labor management practices would also differ substantially. The generally high-skilled work involved in the production of ships, for example, suggests that labor management would be arranged so as to retain relatively scarce skilled workers. In the textile industry, however, the form of labor management might reflect the more labor-intensive, less-skilled production process. In China, both industries were important for generating revenues for the state, but the textile industry by the First World War was dominated by private ownership, both domestic and foreign. Shipbuilding in China, particularly for large ocean-going vessels, has often involved state ownership, with administration by industrial ministries, if not the military.